

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: **CNX GAS COMPANY LLC**

DIVISION OF GAS
AND OIL DOCKET
NO. 89-0126-0009-36

RELIEF SOUGHT: MODIFICATION OF THE OGCB
NORA FIELD RULES ORDER ENTERED MARCH 26,
1989, AS AMENDED, TO ALLOW
MORE THAN ONE COALBED GAS WELL
TO BE DRILLED IN THE UNITS
IDENTIFIED ON EXHIBIT A HERETO

LEGAL DESCRIPTION: DRILLING UNITS **K73 to K77, L73 to L77, M73 to M77,
N73 to N80, O73 to O76**; LOCATED IN **BUCHANAN & RUSSELL** COUNTIES,
VIRGINIA; SEE ANNEXED **EXHIBIT A1** AND STATE PLANE COORDINATE
DESCRIPTION AT PARAGRAPH 7.h. WITHIN

**REPORT OF THE BOARD
FINDINGS AND ORDER**

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereinafter "Board") at 9:00 a.m. on **November 18, 2008** at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.

2. Appearances: **Mark A. Swartz**, Esquire, appeared for the Applicant; and Sharon M.B. Pigeon, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to sections 45.1-361.1 *et seq.*, Virginia Code, as amended, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by the Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner, or in the case of conflicting claims to the ownership of the coalbed methane gas, each person identified by Applicant as a potential owner of the coalbed methane gas underlying the area described at paragraph 7.h below and in **Exhibit A** attached hereto; and (2) has given notice to all parties so identified (hereinafter sometimes "person(s)" whether referring to individuals, corporations, partnerships,

associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.20, Virginia Code, as amended, to notice of this Application, and (3) that the persons listed in the Notice of Hearing are the persons so identified by the Applicant. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19.B., Virginia Code, as amended. Whereupon, the Board hereby finds that the notices given satisfy all statutory requirements, Board rule requirements and the minimum standards of State due process.

4. Amendments and Dismissals: None.

5. Relief Requested: (1) Modification of the Nora Gas Field Rules to allow more than one coalbed methane gas well to be drilled within each of the Nora Field Drilling Units identified above and in **Exhibit A1** attached hereto; and (2) for an administrative order providing that additional well permits may be issued in the Nora Field after this Application is filed and while it is pending.

6. Relief Granted: Available data and the evidence adduced at the hearing support Applicant's position that the production from the pool underlying the Nora Coal Bed Gas Field Drilling Units in question would be enhanced and benefit from in-field drilling; accordingly,

a. With regard to the Drilling Units described above and in **Exhibit A1** hereto, the Nora Coal Bed Gas Field Rules Order, OCGB order entered of March 26, 1989, is hereby amended to allow the Board's Designated Unit Operator in Drilling Units pooled by Board Order and the Well Operator/Permittee in voluntary Drilling Units to drill a total of two wells, said total to include any previously permitted wells, within the units affected by the Application and this Order;

b. In the event that an additional coalbed methane gas well(s) permitted and drilled after the entry of this order is located within the drilling window(s) of a Nora Coal Bed Gas Field Drilling Unit affected by this order, the production therefrom shall be solely attributed to and allocated to the Nora Drilling Unit within which the wells are located. Such well(s) will be subject to any existing pooling orders, and no further Board appearance or action will be required;

c. In the event a second well is proposed that is to be located outside the drilling window of any Nora Unit affected by this order and a permit application is submitted to the Division of Gas and Oil seeking such location exception, the Inspector shall assess the permit as follows:

(i) If an 58 acre square with the proposed well at its center lies entirely within Nora Drilling Units which are voluntary in nature and are not subject to existing pooling orders, the Inspector may grant or deny the location exception on a case-by-case basis

according to standard procedures and provisions of the Nora Order which allow wells to be drilled outside drilling windows; or

(ii) If a 58 acre square with the proposed well at its center lies entirely or partially within any Nora Drilling Unit(s) which is subject to existing pooling orders, the Inspector shall refer the permit application to the Board for its recommendations concerning correlative rights considerations, modification of pooling orders, and escrow provisions. Alternatively, the Unit Operator may present a pooling proposal directly to the Board prior to filing a permit application. No permit under this paragraph ii. shall be issued until the Board has acted on the matter.

7. Special Findings:

- a. Applicant's proposed field rule modification is not an unreasonable or arbitrary exercise of the owner's right to explore for or produce gas;
- b. The Applicant's proposal would not unreasonably interfere with the present or future mining of coal or other minerals;
- c. The acreage to be embraced in the Drilling Units affected by and/or created by this Modification Order shall be as set forth above and in **Exhibit A1** attached hereto.
- d. The formations subject to this Modification Order are described in the OGCB Order entered 3-26-89, as amended.
- e. The boundaries of the Drilling Units are the same as heretofore established by the OGCB Order entered 3-26-89, as amended.
- f. Unit Operator's production simulations indicate that drilling of an additional well in each Unit could facilitate the recovery of an additional 250,000 MCF of gas per Unit within 10 years of drilling.
- g. The boundaries of any Drilling Units created subsequent to this Modification Order shall be according to paragraph 6.c.ii. above and as defined by Board action specific to individual units.
- h. The acreage subject to this Modification Order is depicted in **Exhibit A1** hereto and is more specifically described as follows:

Beginning at a point, Virginia State Plane NAD 27 coordinate of N: 368577.580 E: 927050.060; S87° 45'40" E 7979.27 feet to a point; S02° 07'48" W 4802.86 feet to a point; S87° 47'15" E 4789.00 feet to a point; S02° 09'10" W 1600.50 feet to a point;

N87° 47'10" W 6385.31 feet to a point; S02° 10'11" W 1600.55 feet to a point;
N87° 45'42" W 6384.84 feet to a point; N02° 09'21" E 8004.55 feet to a point of beginning, containing +/- 1,583.82 acres.

i. Having considered the evidence presented, the Board found no reason to establish any allowable production rates for the wells contemplated by this Modification Order;

j. Except as herein specifically modified, the proposed Drilling Units more fully described above and in **Exhibit A1** attached hereto shall be developed and produced in compliance with the OGCB Order entered on 3-26-89 regarding the Nora Field, as amended.

k. This Modification Order shall be effective as of the date of the hearing, to-wit: **November 18, 2008.**

8. Conclusion: The relief granted hereby will assist in enhancing production from existing wells, will assist in more efficiently recovering coalbed methane gas from the area in question, will prevent waste, and will continue to protect the correlative rights of all owners and claimants. Therefore, the relief and all terms and provisions set forth above be and are hereby granted and IT IS SO ORDERED.

9. Effective Date: **November 18, 2008.**

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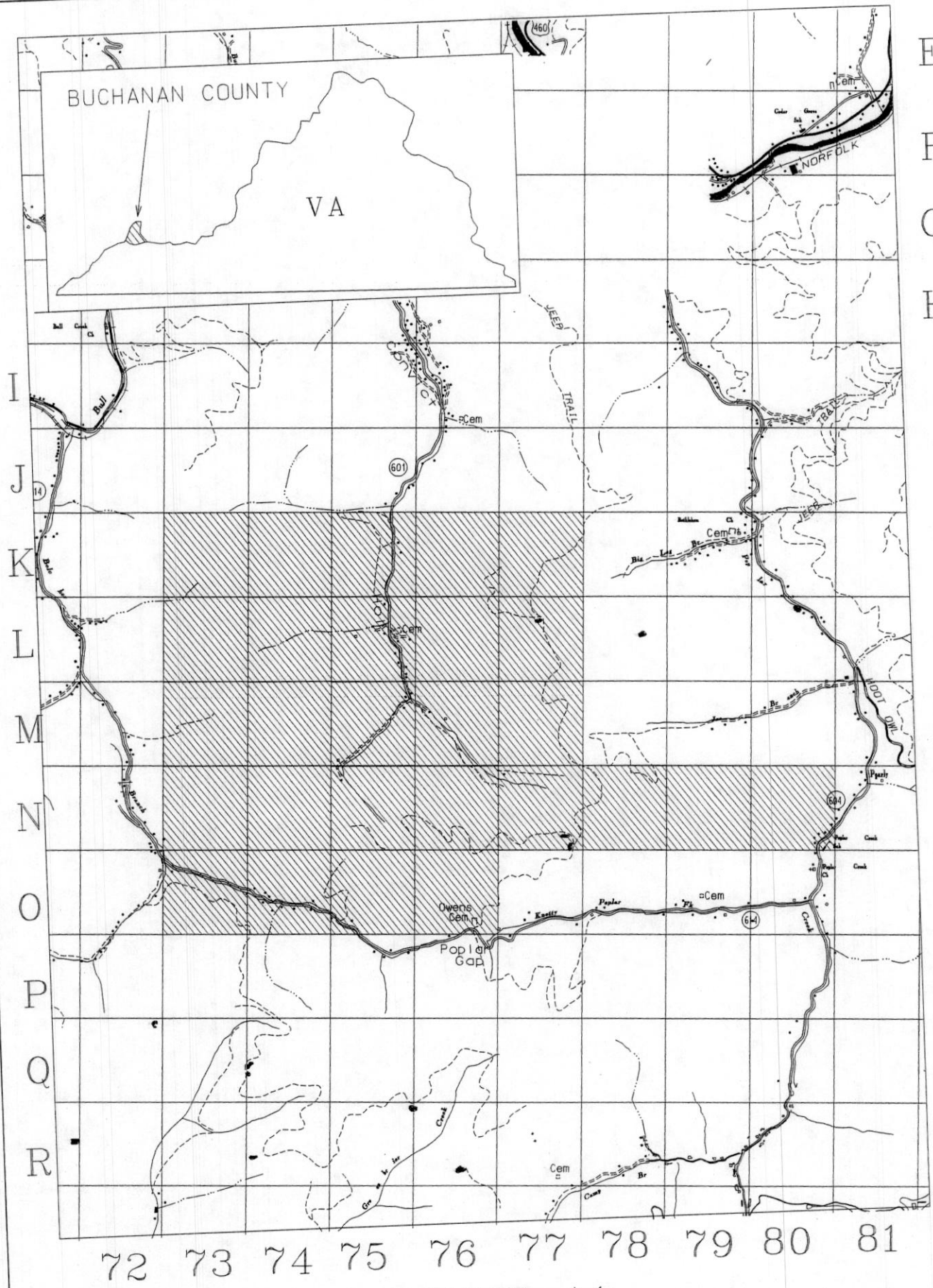


EXHIBIT A1
NORA FIELD MODIFICATION
VGOB 89-0126-0009-36

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET VGOB 89-0126-0009-36

RELIEF SOUGHT: MODIFICATION OF
NORA COAL BED GAS
FIELD RULES ORDER

AFFECTED UNITS: K73 to K77, L73 to L77, M73 to M77, N73 to N80, O73 to O76
See annexed Exhibit A.

NOTICE OF HEARING

HEARING DATE: November 18, 2008
PLACE: Southwest Virginia Higher Education Center
Campus of the Virginia Highlands Community College
Abingdon, Virginia
TIME: 9:00 AM



COMMONWEALTH OF VIRGINIA:

To: Bull Creek Coal Company, Anna Belcher Trust c/o Daniel M. Belcher, Marguerite Inkrot, Melba Sexton Heirs Devisees, Successors or Assigns including Melba D. Sexton Estate c/o Elise A. Sexton, Janis M. & William R. Carrigan, Marlene D. Bartuka, Mary D. & Richard Shockley, Patricia & Paul Collins, Nancy & Rodney Hunter, Gwynne D. & George Katzenbach; Jack G. Watkins, et al including Kenneth R. Ratliff, Terri Ratliff Kehler, Blake A. Ratliff, Bobby Gene Ratliff, Ann Lee Hubble, Joan Frieda, Morris Glenn, Marcella Dooney, Kristopher Stewart Ratliff, Garnet Ratliff, Betty Lou Brown, Danny Shortridge, Peggy Sue Christian, Herman Lee Riffe, Ada Lee Ratliff, Linda Ratliff Yates, Alma Ruth Rife, Charles Childress, Verna Childress Hunt, John Phillips, Charles Sooner, David Sooner, Russell Sooner, Edward A. Watkins, Spotswood B. Watkins, Sarah W. Williams, Hulda Ratliff Heirs, Rachel Childress, Ethel Myers, Esther D. Childress, Carl Childress, Nancy Dorris, Juanita Justice, Phillip A. Wood, Ernest L. Wood, CNX Gas Company LLC; James G. Buston, II, et al including Southern Kentucky Energy Co., Elaine B. Booker Revocable Trust, James G. Buston, II, Harman Mining Corporation, and Penn Virginia Operating Company LLC; Steven E. Runals, et al including Runals Trust c/o Andrew Runals, Walker Trust, James S. Thompson Trustee, Lois C. Bowie, and Robert S. Powers, Buchanan Realty Limited Partnership, George Belcher Heirs Trust c/o John Belcher; Ted Napier, et ux, Harrison Maynard, Bobby R. Blankenship et al including Bobby Blankenship, et ux., Audrey Jean Dye, Mary S. Sanders, Virginia F. Stiltner, Barbara McClanahan, Jeffery Coleman, Betty L. Stiltner, Patricia McClanahan, Russell Stiltner, Jr., Tonya Stiltner, and Tammy Stiltner; Madie I. Ratliff, Burton McClanahan, et ux., ELE LLC, Johnny R. and Pamela J. Billiter, Jr, Leon A. and Ruby J. Elswick, Edith R. Ramey, et al including Edith R. Ramey and Rual Herman Ratliff; David B. Stepp and Erica L. Bartley, Ira R. Clevinger, et al including Ira Ralph Clevinger, Laura Clevinger, Jeffery Clevinger, Margaret Brock, Randall Clevinger, Brenda Nelson, Sherry Stanley, Danny Keith Clevinger, and Teresa Lynn Chambers

1. **Applicant and its counsel:** Applicant is CNX Gas Company LLC, 2481 John Nash Blvd., Bluefield, VA 24701, (304) 323-6500. Applicant's Counsel is Mark A. Swartz, 601 Sixth Avenue, Suite 201, St. Albans, WV 25177-1808.

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX Gas Company LLC

DIVISION OF GAS AND OIL

DOCKET: VGOB 89-0126-0009-36

**RELIEF SOUGHT: MODIFICATION OF
NORA COAL BED GAS
FIELD RULES ORDER**

**AFFECTED UNITS: K73 to K77, L73 to L77, M73 to M77, N73 to N80, O73 to O76.
See annexed Exhibit A.**

APPLICATION

1. **Applicant and its counsel:** Applicant is CNX Gas Company LLC, 2481 John Nash Blvd., Bluefield, VA 24701, (304) 323-6500. Applicant's Counsel is Mark A. Swartz, 601 Sixth Avenue, Suite 201, St. Albans, WV 25177-1808.

2. **Relief sought:** (1) Modification of the Nora Coal Bed Gas Field Rules established by the Oil and Gas Conservation Board's Order entered March 26, 1989, as amended, to allow more than one coalbed gas well to be drilled within each of the Nora Field Units identified above. (2) An administrative order providing that additional well permits may be issued in the Nora Coal Bed Gas Field after this application is filed and while it is pending.

3. **Legal authority:** 4 VAC 25-160-50 and § 45.1-361.20 of the Code of Virginia.

4. **Proposed provisions of order sought:** That a second coalbed methane gas well may be drilled in each of the above referenced Nora Units if same is located within the drilling windows of said Units and is at least 600 feet from any other coalbed methane well; and that production/royalties from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well(s) is located.

5. **Type of wells and field:** Coalbed methane frac wells within the portion of the Nora Coal Bed Gas Field described above.

6. **Formations subject to application:** From the top of the Raven and below. See Nora Coal Bed Gas Field Rules, as amended.

7. **Plat:** See Exhibit A annexed hereto which shows the location of the Nora Units affected by this application within the Nora Coal Bed Gas Field.

The exterior boundaries of the units mapped on Exhibit A are:

Beginning at a point, Virginia State Plane NAD 27 coordinate of N: 368577.580 E: 927050.060; S87° 45'40" E 7979.27 feet to a point; S02° 07'48" W 4802.86 feet to a point; S87° 47'15" E 4789.00 feet to a point; S02° 09'10" W 1600.50 feet to a point; N87° 47'10" W 6385.31 feet to a point; S02° 10'11" W 1600.55 feet to a point; N87° 45'42" W 6384.84 feet to a point; N02° 09'21" E 8004.55 feet to a point of beginning, containing +/- 1,583.82 acres.

2. **Relief sought:** (1) Modification of the Nora Coal Bed Gas Field Rules established by the Oil and Gas Conservation Board's Order entered March 26, 1989, as amended, to allow more than one coalbed gas well to be drilled within each of the Nora Field Units identified above. (2) An administrative order providing that additional well permits may be issued in the Nora Coal Bed Gas Field after this application is filed and while it is pending.

3. **Proposed provisions of order:** That a second coalbed methane gas well may be drilled in each of the above referenced Nora Units if same is located within the drilling windows of said Units and is at least 600 feet from any other coalbed methane well; and that production/royalties from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well(s) is located.

4. **Legal Authority:** Va. Code Ann. §45.1-361.20 and 4 VAC 25-160-50.

5. **Type of well(s) and field:** Coalbed methane wells and Nora Coal Bed Gas Field.

6. **Your interest or claim in the unit sought to be created by this Application pertains to coalbed methane gas.**

7. **Formation(s) to be produced and estimates:** From the top of the Raven and below. See Nora Coal Bed Gas Field Rules, as amended.

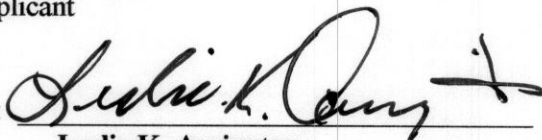
8. **Attestation:** The foregoing notice to the best of my knowledge, information, and belief is true and correct.

NOTICE IS FURTHER GIVEN that this cause has been set for hearing and the taking of evidence before the Board at 9:00 AM, on **November 18, 2008**, at the Southwest Virginia Higher Education Center, Campus of the Virginia Highlands Community College, Abingdon, Virginia, and that notice will be published as required by law and the rules of the Board.

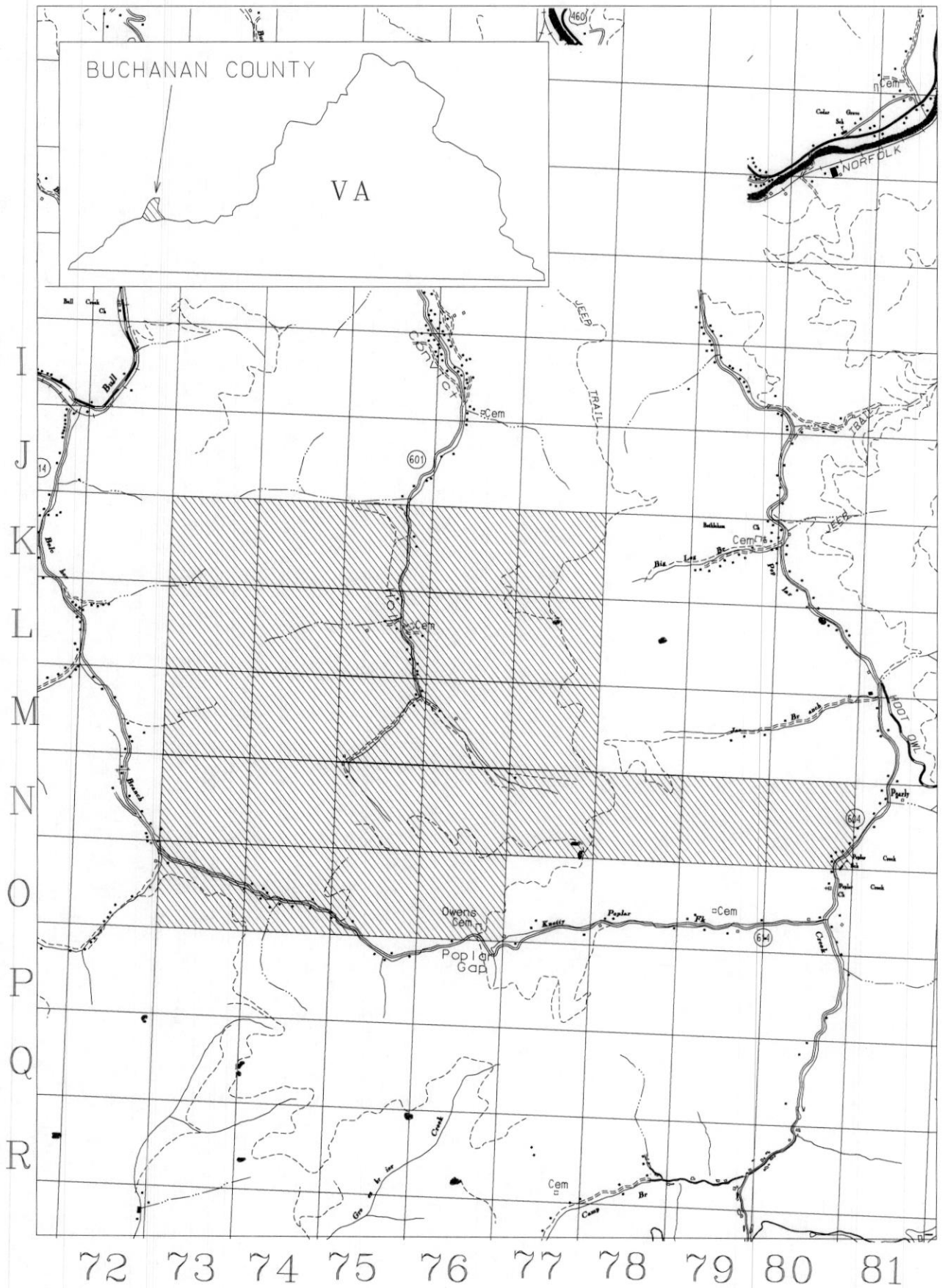
NOTICE IS FURTHER GIVEN that you may attend this hearing, with or without an attorney, and offer evidence or state any comments you have. For further information or a copy of the application and exhibits, either contact the Virginia Gas and Oil Board, State Oil and Gas Inspector, Department of Mines, Minerals and Energy, Division of Gas and Oil, P. O. Box 1416, Abingdon, Virginia 24210, 276/676-5423 or the Applicant at the address shown above.

DATED: 10/17/08

CNX Gas Company LLC
Applicant

By: 

Leslie K. Arrington
Director—Environmental Permitting
2481 John Nash Boulevard
Bluefield, WV 24701



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EXHIBIT A1
NORA FIELD MODIFICATION
VGOB 89-0126-0009-36

8. The acreage affected: See Exhibit A annexed hereto. Acreage affected is approximately 1,583.82 acres.

9. Attestation: The foregoing application to the best of my knowledge, information and belief is true and correct.

CNX Gas Company LLC, Applicant

By



Leslie K. Arrington

Director - Environmental Permitting

2481 John Nash Boulevard

Bluefield, WV 24701

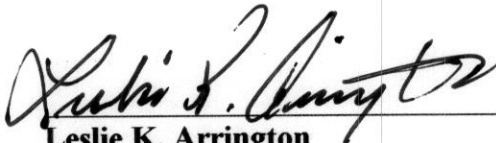
AFFIDAVIT OF DUE DILIGENCE

**COMMONWEALTH OF VIRGINIA
COUNTY OF BUCHANAN**

I, Leslie K. Arrington, after being duly sworn upon oath, state as follows:

1. I am a Director – Environmental Permitting of CNX Gas Company LLC and am responsible for the notification process required by Va. Code Ann. §45.1-361.19 and VR 480-05-22.2 §4.
2. That CNX Gas Company LLC has exercised due diligence in attempting to locate and notice all owners and claimants who are unleased and/or who were not previously pooled by prior order(s) of the Virginia Gas and Oil Board regarding **the Nora Field Modification / Infill Drilling Modification #36**, all as required by Va. Code Ann. §45.1-361.19 and VR 480-05-22.2.
3. That on **October 17, 2008** a true and correct copy of the Notice of Hearing with Exhibits will be mailed, via certified mail return receipt requested, to all owners and claimants listed in Exhibit B-3 for whom mailing addresses were then available.
4. That every individual or entity having an unleased or unpooled interest in the methane gas underlying the tracts in the **Nora Field Modification / Infill Drilling Modification #36**, whether known or unknown, including those persons whose mailing address were unknown, was notified of the filing of CNX Gas Company LLC's application by publication of the Notice of Hearing in the *Bluefield Daily Telegraph*.
5. That CNX Gas Company LLC will continue to exercise due diligence in attempting to locate and identify the names and/or addresses of any unknown or unlocatable parties and, if located or identified, will notify them of CNX Gas Company LLC's application.

I have read the foregoing, and the information given above is true and correct to the best of my knowledge and belief.



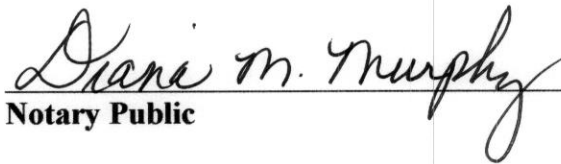
Leslie K. Arrington
Director – Environmental Permitting
for CNX Gas Company LLC

ACKNOWLEDGMENT

STATE OF WEST VIRGINIA

COUNTY OF MERCER, TO-WIT:

TAKEN, SUBSCRIBED AND SWORN to before me this 17th day of
October, 2008.



Notary Public

My commission expires: December 4, 2016

